

**PORT OF SOUTH LOUISIANA**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED**

*April 30, 2013 and 2012*

# **PORT OF SOUTH LOUISIANA**

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## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners of the  
Port of South Louisiana

We have audited the accompanying financial statements of the Port of South Louisiana (Port) as of and for the years ended April 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the foregoing table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of South Louisiana as of April 30, 2013 and 2012, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8 and the Schedule of Funding Progress for the Port's OPEB Plan on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements of the Port of South Louisiana as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 9, 2013, on our consideration of the Port of South Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
October 9, 2013

## **PORT OF SOUTH LOUISIANA**

### *Management's Discussion and Analysis*

*April 30, 2013*

This section of the Port of South Louisiana's (the Port) financial report presents a discussion and analysis of the Port's financial performance during the fiscal year that ended April 30, 2013. Please read it in conjunction with the Port's financial statements, which follows this section.

#### **FINANCIAL HIGHLIGHTS**

The Port's net position (assets fully owned with no restrictions) represent approximately 88% of total assets of approximately \$112.0 million in 2013. In 2012, the Port's net position approximated 82% of total assets of approximately \$92.5 million.

The Port had an increase in net position of approximately \$19.5 million for the year ended April 30, 2013, as well as an increase in net position of \$3.6 million in 2012. In addition, the Port's cash from operating activities was \$2,790,119 in 2013 as compared to \$4,618,633 in 2012.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the Port's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Port's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses and Changes in Net Position. All assets and liabilities associated with the operations of the Port are included in the Statements of Net Position.

The Statements of Net Position reports the Port's net position, which is the difference between its assets and liabilities. Net Position is one way to measure the Port's financial health or position.



## PORT OF SOUTH LOUISIANA

Management's Discussion and Analysis - Continued

April 30, 2013

### FINANCIAL ANALYSIS OF THE PORT

#### Net Position

The Port's total assets at April 30, 2013 reached approximately \$127.2 million. A change in the composition of assets is due to the increase in capital assets of approximately \$14.9 million related to the completed construction of the operations emergency center and the addition of the St. John the Baptist Parish Airport. In the prior year, the Port was designated as the agent for the LMRPSSC, and therefore, managed all grant funding. These funds are classified as restricted cash with a corresponding payable.

Table A-1  
PORT OF SOUTH LOUISIANA  
Statements of Net Position  
April 30, 2013 and 2012

	2013	2012	Variance	Percent Variance
<b>ASSETS</b>				
Current assets	\$ 21,913,064	\$ 22,586,059	\$ (672,995)	(3) %
Restricted assets	1,325,538	1,325,244	294	0 %
Property and equipment, net	103,912,078	89,038,620	14,873,458	17 %
Other assets	<u>654</u>	<u>654</u>	<u>-</u>	<u>- %</u>
Total Assets	<u>\$ 127,151,334</u>	<u>\$ 112,950,577</u>	<u>\$ 14,200,757</u>	<u>13 %</u>
<b>LIABILITIES AND NET POSITION</b>				
Current liabilities	\$ 3,646,087	\$ 4,028,468	\$ (382,381)	(10) %
Revenue bonds payable from restricted assets	7,231,000	7,675,500	(444,500)	(6) %
Grant anticipation notes payable from restricted assets, net of unamortized discount of \$50,667 and \$88,667	649,333	5,611,333	(4,962,000)	(88) %
Other noncurrent liabilities	<u>3,633,926</u>	<u>3,147,099</u>	<u>486,827</u>	<u>15 %</u>
Total Liabilities	15,160,346	20,462,400	(5,302,054)	(26) %
<b>NET POSITION</b>				
Invested in capital assets, net of debt	95,408,412	75,255,208	20,153,204	27 %
Restricted	156,276	155,982	294	1 %
Unrestricted	<u>16,426,300</u>	<u>17,076,987</u>	<u>(650,687)</u>	<u>(4) %</u>
Total Net Position	<u>111,990,988</u>	<u>92,488,177</u>	<u>19,502,811</u>	<u>21 %</u>
	<u>\$ 127,151,334</u>	<u>\$ 112,950,577</u>	<u>\$ 14,200,757</u>	<u>13 %</u>

## **PORT OF SOUTH LOUISIANA**

*Management's Discussion and Analysis - Continued*

*April 30, 2013*

Total liabilities decreased by approximately \$5.3 million. The decrease is directly related to the payment of grant anticipation notes in the amount of \$5 million dollars.

Net position grew by approximately \$19.5 million as explained in the following section. Net position invested in capital assets reflect fixed assets, net of accumulated depreciation, net of debt balance for capital leases. Restricted assets reflect assets restricted by a donor and/or contractual agreements for specific purposes.

### **CHANGE IN NET POSITION**

The change in net position for the year ended April 30, 2013 was approximately \$19.5 million as compared to a change in net position of approximately \$3.6 million for the year ended April 30, 2012. The Port's total operating revenues decreased by 7% to approximately \$11.7 million. Total operating expenses increased 9% to approximately \$12.5 million, which includes approximately \$2.6 million of depreciation expense. The changes in net position are detailed in Table A-2.



# PORT OF SOUTH LOUISIANA

Management's Discussion and Analysis - Continued

April 30, 2013

Table A-2

## PORT OF SOUTH LOUISIANA

Statements of Revenues, Expenses and Changes in Net Position

April 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Variance</u>	<u>Percent Variance</u>
<b>OPERATING REVENUES</b>				
Dockage, net	\$ 3,360,818	\$ 3,380,479	\$ (19,661)	(1) %
Harbor fees, anchorage and barge fleetings	4,958,229	4,835,459	122,770	3 %
Wharfage	594,017	647,055	(53,038)	(8) %
Foreign trade zone income	168,500	168,500	-	- %
Rentals	2,038,632	1,990,585	48,047	2 %
Sheddage and other	<u>559,662</u>	<u>1,521,055</u>	<u>(961,393)</u>	(63) %
Total Operating Revenues	11,679,858	12,543,133	(863,275)	(7) %
<b>OPERATING EXPENSES</b>				
Salaries and employee benefits	5,429,913	4,929,709	500,204	10 %
Depreciation	2,593,724	2,419,606	174,118	7 %
Insurance	996,452	783,636	212,816	27 %
Maintenance and repairs	527,804	425,854	101,950	24 %
Port planning and development	193,166	197,226	(4,060)	(2) %
Post-retirement benefit expense	486,827	490,195	(3,368)	(1) %
Administrative and other	<u>2,240,908</u>	<u>2,196,978</u>	<u>43,930</u>	2 %
Total Operating Expenses	<u>12,468,794</u>	<u>11,443,204</u>	<u>1,025,590</u>	9 %
Operating Income (Loss)	(788,936)	1,099,929	(1,888,865)	(172) %
<b>NON-OPERATING REVENUES (EXPENSES)</b>	<u>(371,760)</u>	<u>(219,411)</u>	<u>(152,349)</u>	(69) %
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(1,160,696)	880,518	(2,041,214)	(232) %
<b>CAPITAL CONTRIBUTIONS</b>	<u>20,663,507</u>	<u>2,677,275</u>	<u>17,986,232</u>	672 %
<b>CHANGE IN NET POSITION</b>	19,502,811	3,557,793	15,945,018	449 %
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>92,488,177</u>	<u>88,930,384</u>	<u>3,557,793</u>	4 %
<b>NET POSITION, END OF YEAR</b>	<u>\$ 111,990,988</u>	<u>\$ 92,488,177</u>	<u>\$ 19,502,811</u>	21 %

## **PORT OF SOUTH LOUISIANA**

### *Management's Discussion and Analysis - Continued*

*April 30, 2013*

Operating revenues decreased by 7% to \$11.7 million in fiscal year 2013. This is primarily due to a decrease in other income. In prior year the Port received funding from settlement payments for outstanding litigation totaling \$370,000 and a one-time right-of-way fee of \$355,384 paid by Entergy for the use of Port property.

Operating expenses increased by 9% to approximately \$12.5 million in fiscal year 2013. Salaries and employee benefits, depreciation, insurance and maintenance and repairs experienced a 10%, 7%, 27% and 24% increase, respectively. These increases are due to employee raises and new hires, increases in insurance related to the airport, addition of the MSOC building and repairs made due to damages caused by Hurricane Isaac.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### *Capital Asset Administration*

The Port's investment in capital assets approximated \$104.0 million, net of accumulated depreciation. This investment consists principally of land, buildings and docks, equipment, and vehicles. The Port currently has several ongoing construction projects.

#### *Debt Administration*

The Port's debt consists of bonds payable from restricted assets relating to its direct financing leases with its facility operators, revenue bonds, and grant anticipation notes.

### **CONTACTING THE PORT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patrons and other interested parties with a general overview of the Port's finances and to demonstrate the Port's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Port of South Louisiana at (985) 652-9278.

# PORT OF SOUTH LOUISIANA

## STATEMENTS OF NET POSITION

April 30, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,362,733	\$ 11,922,590
Certificates of deposit	3,707,908	3,707,908
Investments	5,780,237	5,773,863
Accrued interest receivable	796	743
Accounts receivable, net of \$2,544 and \$88,344 allowance for doubtful accounts	985,079	1,167,996
Prepaid expenses and other	76,311	12,959
TOTAL CURRENT ASSETS	21,913,064	22,586,059
RESTRICTED ASSETS		
Cash	1,169,636	1,169,342
Cash, held by the State of Louisiana	148,205	148,205
Accrued interest receivable	7,697	7,697
TOTAL RESTRICTED ASSETS	1,325,538	1,325,244
PROPERTY AND EQUIPMENT - NET	103,912,078	89,038,620
OTHER ASSETS	654	654
TOTAL ASSETS	<u>\$127,151,334</u>	<u>\$112,950,577</u>

**PORT OF SOUTH LOUISIANA**  
**STATEMENTS OF NET POSITION- Continued**  
*April 30, 2013 and 2012*

LIABILITIES AND NET POSITION

	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>		
Payable from current assets:		
Accounts payable and other accrued expenses	\$ 1,110,533	\$ 812,583
Accrued salaries and vacation	374,370	324,695
Current portion of note payable -St John the Baptist	-	82,918
Retainage payable	190,165	1,040,240
Unearned rent, deposits and other liabilities	<u>178,424</u>	<u>185,109</u>
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</b>	<b>1,853,492</b>	<b>2,445,545</b>
Payable from restricted assets:		
Port Security grant payable	1,169,262	1,169,262
Current portion of revenue bonds payable from restricted assets	554,000	324,500
Accrued interest payable	<u>69,333</u>	<u>89,161</u>
<b>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<b><u>1,792,595</u></b>	<b><u>1,582,923</u></b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,646,087</b>	<b>4,028,468</b>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable from restricted assets	7,231,000	7,675,500
Grant anticipation notes payable from restricted assets, net of unamortized discounts of \$50,667 and \$88,667	649,333	5,611,333
Other noncurrent liabilities:		
OPEB payable	<u>3,633,926</u>	<u>3,147,099</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>11,514,259</u></b>	<b><u>16,433,932</u></b>
<b>TOTAL LIABILITIES</b>	<b>15,160,346</b>	<b>20,462,400</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET POSITION</b>		
Invested in capital assets, net of debt	95,408,412	75,255,208
Restricted	156,276	155,982
Unrestricted	<u>16,426,300</u>	<u>17,076,987</u>
<b>TOTAL NET POSITION</b>	<b><u>111,990,988</u></b>	<b><u>92,488,177</u></b>
	<b><u>\$ 127,151,334</u></b>	<b><u>\$ 112,950,577</u></b>

# **PORT OF SOUTH LOUISIANA**

## **STATEMENTS OF REVENUES, EXPENSES**

### **AND CHANGES IN NET POSITION**

*Years Ended April 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Dockage, net	\$ 2,653,690	\$ 2,811,900
Harbor fees, anchorage and barge fleeting income	4,958,229	4,835,459
Foreign trade zone income	168,500	168,500
Rentals	555,683	543,306
Miscellaneous	128,786	148,454
Grant funding	-	254,248
Settlement payments	-	370,000
Right-of-way fee	-	355,384
Globalplex revenues:		
Dockage	707,128	568,579
Wharfage	594,017	647,055
Rentals	1,482,949	1,447,279
Sheddage and other	<u>430,876</u>	<u>392,969</u>
<b>TOTAL OPERATING REVENUES</b>	<b>11,679,858</b>	<b>12,543,133</b>
<b>OPERATING EXPENSES</b>		
Administration	28,042	22,023
Auditing	46,874	39,293
Bank fees	581	-
Building services	43,752	39,886
Computer software	14,090	8,417
Commission meetings	14,288	14,428
Conventions	67,326	84,431
Delivery charges	5,616	2,559
Depreciation	2,593,724	2,419,606
Dues	38,019	25,537
Employee benefits	1,793,322	1,514,745
Engineering fees	79,208	169,120
Equipment rentals	20,760	18,302
Fuel	116,140	111,918
Harbor services	937	-
Hurricane expense	118,508	-
Insurance	996,452	783,636
Legal fees	111,144	127,549
Maintenance and repairs	527,804	425,854
Management services - Globalplex	33,144	27,110
Medical expense	2,329	9,037
Mileage	2,296	2,010
Permits and license fees	15,180	14,915
Port planning and development	<u>193,166</u>	<u>197,226</u>

**PORT OF SOUTH LOUISIANA**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION- Continued**  
*Years Ended April 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>
OPERATING EXPENSES (CONTINUED)		
Post-retirement benefit expense	486,827	490,195
Postage	6,291	4,889
Printing	5,387	3,928
Professional fees	537,495	491,511
Publishing	3,120	11,600
Salaries	3,634,262	3,405,927
Security	344,656	393,599
Subscriptions	3,912	7,247
Supplies	59,782	53,803
Telephone	118,182	100,118
Training	2,899	9,911
Uniforms	11,546	12,495
Utilities	<u>391,733</u>	<u>400,379</u>
 TOTAL OPERATING EXPENSES	 <u>12,468,794</u>	 <u>11,443,204</u>
 OPERATING INCOME (LOSS)	 (788,936)	 1,099,929
NON-OPERATING REVENUES (EXPENSES)		
Interest earned on investments	39,950	44,460
Interest expense on grant anticipation notes payable from restricted assets	-	(12,410)
Interest expense - Globalplex	<u>(411,710)</u>	<u>(251,461)</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 <u>(371,760)</u>	 <u>(219,411)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,160,696)	880,518
Capital Contributions	<u>20,663,507</u>	<u>2,677,275</u>
 CHANGES IN NET POSITION	 19,502,811	 3,557,793
NET POSITION		
BEGINNING OF YEAR	<u>92,488,177</u>	<u>88,930,384</u>
END OF YEAR	<u>\$ 111,990,988</u>	<u>\$ 92,488,177</u>

# PORT OF SOUTH LOUISIANA

## STATEMENTS OF CASH FLOWS

Years Ended April 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 11,862,775	\$ 12,858,852
Payments to other sources	(6,685)	(213,754)
Payments to suppliers	(3,685,663)	(3,144,229)
Payments to employees and related benefits	<u>(5,380,308)</u>	<u>(4,882,236)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,790,119</b>	<b>4,618,633</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments on grant participation notes payable	(5,215,000)	-
Payments on notes payable	(82,918)	(264,167)
Security grant payable	-	747,525
Interest paid	(411,710)	(263,871)
Proceeds from grant anticipation notes payable	-	5,586,000
Proceeds from contributed capital	9,323,590	2,677,275
Acquisitions of fixed assets and additions to construction in progress	(6,127,264)	(13,323,967)
Retainage payable	(850,075)	503,856
Accrued bond interest payable	(19,828)	89,161
Proceeds from revenue bonds payable	<u>-</u>	<u>8,000,000</u>
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,383,205)</b>	<b>3,751,812</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) sale of investments	(6,374)	399,904
Investment income received	<u>39,897</u>	<u>44,805</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>33,523</u></b>	<b><u>444,709</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(559,563)</b>	<b>8,815,154</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>13,240,137</u></b>	<b><u>4,424,983</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 12,680,574</u></b>	<b><u>\$ 13,240,137</u></b>



**PORT OF SOUTH LOUISIANA**  
**STATEMENTS OF CASH FLOWS - Continued**  
*Years Ended April 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents include:		
Cash and cash equivalents	\$ 11,362,733	\$ 11,922,590
Restricted assets:		
Restricted cash	1,169,636	1,169,342
Cash held by the State of Louisiana	<u>148,205</u>	<u>148,205</u>
 TOTAL CASH AND CASH EQUIVALENTS	 <u>\$ 12,680,574</u>	 <u>\$ 13,240,137</u>
 CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (788,936)	\$ 1,099,929
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation	2,593,724	2,419,606
Loss on disposal of assets	-	66,009
Amortization of discounts on notes payable	38,000	25,333
Changes in assets and liabilities:		
Accounts receivable	182,916	315,719
Prepaid expenses and other	(63,352)	19,901
Accounts payable	297,950	348,222
Accrued expenses	49,675	47,473
Unearned rent, deposits and other liabilities	(6,685)	(213,754)
OPEB payable	<u>486,827</u>	<u>490,195</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 2,790,119</u>	 <u>\$ 4,618,633</u>

Noncash Activity: The Port received contributed property from outside sources of \$11,339,917 in 2013 and \$0 in 2012.

# **PORT OF SOUTH LOUISIANA**

## **NOTES TO FINANCIAL STATEMENTS**

*April 30, 2013 and 2012*

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Port of South Louisiana (the "Port") is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:2471. The Port is governed by a Board of Commissioners (the "Board") consisting of seven members appointed for a four-year term as follows:

- The parish presidents, with concurrence of 2/3 of the members of the respective parish councils of each of the parishes of St. Charles, St. James and St. John the Baptist, appoint one resident commissioner each.
- Three resident members (one from each parish) or chief executive officers of a business which is principally operated within each parish are appointed by the Governor of the State of Louisiana.
- One member at-large who shall reside and be domiciled within the geographical boundaries of the Port is appointed by the Governor.

The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port.

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The Port is reported as a stand-alone entity as defined by Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity." The Port is neither fiscally dependent on any other local government, nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

#### ***Basis of Presentation - Fund Accounting***

The Port's operations are accounted for in a proprietary fund type - the enterprise fund. The proprietary fund type is accounted for using the flow of economic resources measurement focus. With this measurement focus all assets and liabilities associated with the operations are included on the statement of net position. Fund equity is segregated into contributed capital and net position. The operating statement presents increases (revenues) and decreases (expenses) in net total position.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE I - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

***Basis of Presentation - Fund Accounting (continued)***

The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The measurement focus emphasizes the determination of net income.

The Port follows the accrual basis of accounting for its proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GASB Statement No. 62 – "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" is adopted for the fiscal year ended April 30, 2013. This Statement supersedes GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" by bringing governmental accounting and financial literature together in one place, thereby eliminating the need to subjectively determine which FASB and AICPA pronouncement provisions apply to state and local governments.

GASB Statement No. 63 – "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" is adopted for the fiscal year ended April 30, 2013. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial elements, which are distinct from assets and liabilities. Concepts Statements No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Investments and Restricted Assets***

Restricted and unrestricted investments of the Port, substantially all of which have original maturities of one year or less, are recorded at fair value. Fair value is based on quoted market prices.

Restricted assets are deposits received and/or made by the Port prior to payment due to the bondholders on the revenue bonds payables.

***Property and Equipment***

Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.

Depreciation is computed using the straight-line method over the following estimated useful lives.

Docks, barges and other facilities	5 - 50 years
Boats	10 - 30 years
Equipment and furniture	3 - 40 years
Buildings	7 - 40 years

The Port's policy is to capitalize construction period interest, if any. For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing. Maintenance and repairs are charged to expenses when incurred.

***Intangible Assets***

Intangible assets include easements, computer software, patents, copyrights, trademarks and goodwill. The Port does not currently have any reportable intangible assets that meet the capitalization threshold for intangible assets since the implementation of GASB No. 51 "Accounting and Reporting for Intangible Assets" in 2010.

**PORT OF SOUTH LOUISIANA**  
*NOTES TO FINANCIAL STATEMENTS - Continued*  
*April 30, 2013 and 2012*

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

***Long-Term Obligations***

Long-term obligations include revenue bonds and grant anticipation notes used to provide capital for construction projects in the three-parish area.

***Contributed Capital and Net Position***

Contributed capital includes various grants from the State of Louisiana as well as other state and federal departments. Net position represents the amount of accumulated earnings related since the beginning of operations.

***Compensated Absences***

Employees of the Port are covered by the State of Louisiana civil service regulations and, as such, accumulate sick and annual leave in accordance with varying rates stipulated under these regulations. Upon termination and/or retirement, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes. The Port's liabilities for sick leave of \$1,584,467 and \$1,416,402 as of April 30, 2013 and 2012, respectively, have not been accrued because the employees are not entitled to it upon termination.

***Statements of Cash Flows***

For purposes of the statements of cash flows, cash and cash equivalents consist of demand deposits and time deposits with banks and money market mutual funds.

***Reclassifications***

Certain reclassifications have been made to the financial statements for the year ended April 30, 2012 to conform with the 2013 presentation.

**NOTE 2 - CASH AND INVESTMENTS**

***Cash and Cash Equivalents***

At April 30, 2013, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled \$16,240,277; the bank balance totaled \$16,295,025. Of the bank balance, \$1,150,000 was covered by federal deposit insurance, \$15,139,592 was covered by collateral held by the bank's agent and pledged in the Port's name, and \$5,433 was unsecured money market deposits.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***Cash and Cash Equivalents (continued)***

At April 30, 2012, the book balance of the Port's total cash and certificates of deposit, including unrestricted deposits totaled \$16,799,840; the bank balance totaled \$16,884,611. Of the bank balance, \$1,150,000 was covered by federal deposit insurance, \$15,729,138 was covered by collateral held by the bank's agent and pledged in the Port's name, and \$5,473 were unsecured money market deposits.

April 30, 2013:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Covered by federal depository insurance	\$ 250,000	\$ 900,000	\$ 1,150,000
Collateralized with securities held by the pledging institution's trust department or agent, in the Port's name	12,331,685	2,807,907	15,139,592
Uncollateralized, including securities held by the pledging institution or its agent but not in the Port's name	<u>5,433</u>	<u>-</u>	<u>5,433</u>
Total bank balance	<u>\$ 12,587,118</u>	<u>\$ 3,707,907</u>	<u>\$ 16,295,025</u>

April 30, 2012:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Covered by federal depository insurance	\$ 250,000	\$ 900,000	\$ 1,150,000
Collateralized with securities held by the pledging institution's trust department or agent, in the Port's name	12,921,231	2,807,907	15,729,138
Uncollateralized, including securities held by the pledging institution or its agent but not in the Port's name	<u>5,473</u>	<u>-</u>	<u>5,473</u>
Total bank balance	<u>\$ 13,176,704</u>	<u>\$ 3,707,907</u>	<u>\$ 16,884,611</u>



**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***Cash and Cash Equivalents (continued)***

The following is a breakdown by banking institution and amount of the balances shown above:

<u>Banking Institution</u>	<u>2013 Amount</u>	<u>2012 Amount</u>
1. Regions Bank	\$ 12,581,685	\$ 13,171,231
2. Edward Jones	5,433	5,473
3. Community Bank	200,000	200,000
4. First National Bank, USA	307,907	307,907
5. Iberia Bank	200,000	200,000
6. First American Bank	<u>3,000,000</u>	<u>3,000,000</u>
Total bank balance – all deposits	<u>\$ 16,295,025</u>	<u>\$ 16,884,611</u>

***Custodial Credit Risk - Deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the Port's deposits may not be returned to it. As of April 30, 2013 and 2012, \$ 5,433 and \$5,473, respectively, of the Port's bank balances of \$16,295,025 and \$16,884,611 were exposed to custodial credit risk because they were uninsured and uncollateralized.

***Investments***

The Port may invest idle funds as authorized by Louisiana Statutes, as follows:

- a. United States bonds, treasury notes, certificates, or any other federally insured investment.
- b. Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.
- c. Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.



**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***Custodial Credit Risk - Investments***

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Port's investment policy requires that all repurchase agreement investments be fully collateralized and held by the counterparty's trust department or agent in the Port's name. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission. The Port's investment balances exposed to custodial credit risk (not registered in the entity's name), totaled \$4,167 and \$4,517 in 2013 and 2012, respectively.

All investments are carried at Fair Value.

	<u>2013</u>	<u>2012</u>
Unrestricted investments:		
Government mortgage-backed securities (GNMAs)	\$ 4,167	\$ 4,517
Louisiana Asset Management Pool, Inc.	<u>5,776,070</u>	<u>5,769,346</u>
	<u>\$ 5,780,237</u>	<u>\$ 5,773,863</u>

Restricted cash of \$148,205 held by the State of Louisiana as of April 30, 2013 and 2012 represents funds held on behalf of the general obligation bond payable. This general obligation bond was paid off in April 2012. The State of Louisiana will return the funds to the Port.

Investments held at April 30, 2013 and 2012 include \$5,776,070 and \$5,769,346, respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at April 30, 2013 and 2012 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***Custodial Credit Risk - Investments (continued)***

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1 + commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares. LAMP is rated AAAm by Standards & Poor's.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company. Audited financial statements for LAMP can be found at [www.lamppool.com](http://www.lamppool.com).

***Interest Rate Risk***

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The Port's investment policy limits interest rate risk by generally limiting maturities of its investments to shorter term securities, money market mutual funds, or similar investment pools as well as structuring the investment portfolio so that securities meet cash requirements for ongoing operations.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

***Credit Risk and Concentration of Credit Risk***

The credit risk of investments is the risk that an issuer or other counterparty will not meet its obligations. This credit risk is measured by credit quality ratings as described by ratings agencies such as Standard & Poor's (S&P) and Moody's. The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools). The Port's investment policy does not place a limit on the amount the Port may invest in any one issuer.

The following table illustrates the Port's investment exposure to credit risk as of April 30, 2013 and 2012:

<u>S&amp;P RATING</u>	<u>FAIR VALUE</u>	
	<u>2013</u>	<u>2012</u>
AAA	\$ 4,167	\$ 4,517

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at April 30:

	<u>2013</u>			
	<u>05/01/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>04/30/13</u>
Land	\$ 11,986,060	\$ 5,641,483	\$ -	\$ 17,627,543
Building, docks and equipment	5,090,231	3,162,647	(310,799)	7,942,079
Globalplex buildings, docks and equipment	74,274,620	17,003	(458,000)	73,833,623
Airport infrastructure	-	6,030,917	-	6,030,917
Construction in progress	<u>24,624,860</u>	<u>4,808,481</u>	<u>(2,193,350)</u>	<u>27,239,991</u>
Total property and equipment	115,975,771	19,660,531	(2,962,149)	132,674,153
Less accumulated depreciation	<u>(26,937,151)</u>	<u>(2,593,724)</u>	<u>768,800</u>	<u>(28,762,075)</u>
Property and equipment, net	<u>\$ 89,038,620</u>	<u>\$17,066,807</u>	<u>\$ (2,193,349)</u>	<u>\$ 103,912,078</u>

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 3 - PROPERTY AND EQUIPMENT (Continued)**

	<u>2012</u>			
	<u>05/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>04/30/12</u>
Land	\$ 11,983,060	\$ 3,000	\$ -	\$ 11,986,060
Building, docks and equipment	4,512,404	577,827	-	5,090,231
Globalplex buildings, docks and equipment	74,274,620	-	-	74,274,620
Construction in progress	<u>11,947,729</u>	<u>12,743,140</u>	<u>(66,009)</u>	<u>24,624,860</u>
Total property and equipment	102,717,813	13,323,967	(66,009)	115,975,771
Less accumulated depreciation	<u>(24,517,545)</u>	<u>(2,419,606)</u>	<u>-</u>	<u>(26,937,151)</u>
Property and equipment, net	<u>\$ 78,200,268</u>	<u>\$10,904,361</u>	<u>\$ (66,009)</u>	<u>\$89,038,620</u>

**NOTE 4 - LONG-TERM DEBT**

Long-term debt consists of the following at April 30:

	<u>2013</u>	<u>2012</u>
Bonded debt – revenue bonds	\$ 7,785,000	\$ 8,000,000
Notes payable to St. John the Baptist Parish	-	82,918
Grant anticipation notes payable	<u>700,000</u>	<u>5,700,000</u>
Total	8,485,000	13,782,918
Less current portion	(554,000)	(407,418)
Less discount	<u>(50,667)</u>	<u>(88,667)</u>
Total long-term portion	<u>\$ 7,880,333</u>	<u>\$ 13,286,833</u>

The Port had a note payable to the Louisiana State Bond Commission. The General Obligation Bond (series 1992A) was related to property acquisition for a multi-use Port facility. The original value of the note, dated March 1, 1992 was \$1,600,000. This note was payable in annual installments of \$75,000 to \$140,000 plus varying interest at 6.1% to 6.5% due in semi-annual installments. The balance was paid off in April 2012.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 4 - LONG-TERM DEBT (Continued)**

During the year ended April 30, 2012, the Port issued revenue bonds in the amount of \$8,000,000 for the purpose of financing a portion of the acquisition, construction, equipping and installation of an extension of the general cargo dock at the Globalplex facility. The bonds are payable in semi-annual installments of principal and interest of \$138,000 to \$353,508 through February 1, 2027. The interest rate on the bonds is 3.45%. As of April 30, 2013 and 2012, the remaining principal balance of the bonds was \$7,785,000 and \$8,000,000, respectively.

The Port has a note payable to St. John the Baptist Parish relating to the purchase of a building. The original value of the note, dated December 21, 1998, was \$1,345,000. The note is payable in annual installments of \$60,000 to \$130,000, with interest ranging from 3.88% to 4.00%, due semi-annually through December 31, 2012. As of April 30, 2013 and 2012, the remaining principal balance of the note was \$0 and \$82,918, respectively.

During the year ended April 30, 2012, the Port entered into a grant anticipation note at a discounted rate of 98% in the amount of \$5,700,000. The discount of \$114,000 is being amortized on a straight-line basis over the life of the note. The stated interest rate of the note is 4.00%. The effective interest rate of the note is 4.12%. The note is payable in full at maturity with interest due semi-annually through October 1, 2014. As of April 30, 2013 and 2012, the remaining principal balance of the note, including the unamortized discount of \$50,667 and \$88,667, was \$700,000 and \$5,700,000, respectively.

Debt service requirements, including interest of \$2,371,559, for outstanding bonds and notes payable were as follows as of April 30, 2013.

<u>April 30,</u>	<u>Revenue Bonds Payable</u>	<u>Grant Anticipation Notes Payable</u>	<u>Total</u>
2014	\$ 815,001	\$ 228,000	\$ 1,043,001
2015	705,537	814,000	1,519,537
2016	705,529	-	705,529
2017	705,469	-	705,469
2018	705,822	-	705,822
Thereafter	<u>6,177,201</u>	<u>-</u>	<u>6,177,201</u>
	<u>\$ 9,814,559</u>	<u>\$ 1,042,000</u>	<u>\$ 10,856,559</u>

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 5 – DOCKAGE AND HARBOR FEES**

Dockage fee revenues are not dedicated to provide specific services, but are available to fund the operations of the Port. Harbor fees are dedicated to the providing of services to the vessels which use the Port and to the facilities located therein in the interest of public welfare and safety. Such funds may be appropriated by the Port for such purposes as to assist in defraying the administration and maintenance of the Port, including the supervision of the shipping of the Port, with the view of preventing collision and fires, policing the river and river front, the operation of one or more craft in the Port to aid vessels or persons in distress, and to aid in extinguishing fires in vessels and equipment and their cargo aboard such vessels, or upon wharves and other facilities of the Port.

**NOTE 6 - CONCENTRATION**

Billings for the four largest facility operators represent 69% of total gross dockage revenues for the years ended April 30, 2013 and 2012.

**NOTE 7 - RETIREMENT PLANS**

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS"), a cost-sharing multiple-employer defined benefit pension plan administered by a separate board of trustees. The LASERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute (LRS 42:651; 712; 712.1; 712.3). The LASERS issues a publicly available financial report that includes financial statements and required supplementary information for the LASERS. That report may be obtained by writing to the Louisiana State Employees' Retirement System, P. O. Box 44213, Baton Rouge, Louisiana 70804-4213.

The LASERS is a defined benefit contributory pension plan to which employees hired before July 1, 2006 contribute 7.5% of their salaries and employees hired after July 1, 2006 contribute 8.0% of their salaries, and the Port contributes 29.1% of the employees' salaries toward future benefits.

A member is eligible to retire after at least 10 years of service at age 60, 25 years at age 55, 30 years at any age or after 20 years at any age with a reduced benefit. Effective January 1, 1996, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once a member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% of average annual compensation for the highest 3 consecutive years of employment, multiplied by the number of years of creditable service, with certain limitations.



**PORT OF SOUTH LOUISIANA**  
*NOTES TO FINANCIAL STATEMENTS - Continued*  
*April 30, 2013 and 2012*

**NOTE 7 - RETIREMENT PLANS (Continued)**

Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

Act 14 of the 1990 Louisiana Legislature provided for a new retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Total contributions for the years ended April 30, 2013, 2012 and 2011 were \$680,972, \$549,961, and \$530,742, respectively. These amounts are equal to the required contributions for each of these three years.

**NOTE 8 - CONTINGENCIES**

The Port is a party to other legal proceedings incidental to its business. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port. While no current liability is recorded, future actions may occur that would affect the Port's liability.

**NOTE 9 - CONDUIT DEBT**

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

In 1997, the Port issued port facility revenue bonds, due January 1, 2027, for the purpose of financing the cost of acquiring, constructing and installing a project, consisting of certain dock, wharf and related storage facilities, in the amount of \$22,000,000 on behalf of Holcim, Inc. (the Company). The Company is responsible for the payment of these bonds which are secured by an irrevocable letter of credit.

In 2008, the Port issued port facility revenue bonds, due December 1, 2038, for the purpose of financing the cost of design, development, acquisition, construction, installation and equipping of a portion of docks and wharves and related facilities, in the amount of \$40,000,000 on behalf of Plains All American Pipeline, L.P. (the Company). The Company is responsible for the payment of these bonds which are secured by the holder and owner through the Indenture.



**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 10 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS**

***Plan Description***

The Port provides post-employment health care and life insurance benefits for substantially all employees if they reach normal retirement age while working for the Port. The Port's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan (for fiscal year 2013) that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). LRS 42:801- 883 assigns the authority to establish and amend benefit provisions of the plan.

The OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained on the Office of Statewide Reporting and Accounting Policy's website at [www.doa.louisiana.gov/osrap](http://www.doa.louisiana.gov/osrap).

***Funding Policy***

The contribution requirements of plan members and the Port are established and may be amended by LRS 42:801- 883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage.

The OGB offers two standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan and the Health Maintenance Organization (HMO) Plan. Retired employees who have Medicare Part A and Part B coverage also have access to six OGB Medicare Advantage plans which includes four HMO plans and two PPO plans. Depending upon the plan selected, during the year ended April 30, 2013, employee premiums for a single member receiving benefits range from \$84 to \$87 per month for retiree-only coverage with Medicare or from \$136 to \$268 per month for retiree-only coverage without Medicare. The premiums for a retiree and spouse for the year ended April 30, 2013 range from \$151 to \$322 per month for those with Medicare or from \$448 to \$473 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis with the Port contributing anywhere from \$281 to \$374 per month for retiree-only coverage with Medicare or from \$439 to \$1,091 per month for retiree-only coverage without Medicare during the year ended April 30, 2013. Also, the Port's contributions are \$647 per month for retiree and spouse with Medicare. There are no retirees and spouses without Medicare.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 10 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS**  
(Continued)

**Annual OPEB Cost**

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one-half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at age 70 for retirees.

The Port's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the Plan's fiscal year beginning July 1, 2012 is \$516,500.

Normal Cost	\$ 298,000
30-year UAAL amortization amount	199,924
Interest on the above	18,576
Annual required contribution (ARC)	<u>\$ 516,500</u>

The following table presents the Port's OPEB Obligation for the year ended April 30, 2013:

Beginning Net OPEB Obligation May 1, 2012	\$ 3,147,099
Annual required contribution	516,500
Interest on Net OPEB Obligation	125,884
ARC Adjustment	<u>(120,326)</u>
OPEB Cost (expense)	522,058
Less:	
Contributions made	<u>(35,231)</u>
Change in Net OPEB Obligation	<u>486,827</u>
Ending Net OPEB Obligation April 30, 2013	<u>\$ 3,633,926</u>

Utilizing the pay-as-you-go method, the Port contributed 7% of the annual post-employment benefits cost during the year ended April 30, 2013.

During the year ended April 30, 2010, the Port, through the OGB, established a post-employment benefits plan trust. As of April 30, 2013, the OGB has not funded the trust, has no assets and has a funded ratio of zero. The actuarial accrued liability of \$5,232,000 is unfunded.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 10 - POST-EMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS**  
(Continued)

***Funded Status and Funding Progress***

The funded status of the Plan as of the most recent valuation date of July 1, 2012 is as follows:

Actuarial accrued liability (AAL)	\$ 5,232,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	5,232,000
Funded ratio (actuarial value of plan assets AAL)	<u>0%</u>
Covered payroll (annual payroll of active employees covered by the plan)	2,760,000
UAAL as a percentage of covered payroll	190%

***Actuarial Methods and Assumptions***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare and Medicare eligible, respectively, scaling down to ultimate rates of 4.5% per year. The unfunded actuarial accrued liability is being amortized at a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2012, was thirty years.

**PORT OF SOUTH LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
*April 30, 2013 and 2012*

**NOTE 11 – ST. JOHN THE BAPTIST PARISH AIRPORT**

Effective November 1, 2010, the Port entered into an Operating and Lease Agreement with the Parish of St. John the Baptist in the amount of \$1 per year, to operate and manage the St. John the Baptist Parish Airport (Airport). This lease expires December 31, 2040. Pursuant to the agreement, the Port will accept sponsorship of the Airport including all obligations past, present and future related to federal grants, maintain and operate the Airport which includes but is not limited to, overseeing day-to-day activities, collection of revenues, payment of expenses and marketing of the Airport and adjacent property. On October 22, 2012, St. John the Baptist Parish transferred all rights, title, and interest of the St. John the Baptist Parish Airport to the Port. As such, the Port has recorded all capital assets at market value at the date of transfer. For the years ended April 30, 2013 and 2012, the Port incurred losses related to the operations of the Airport in the amount of \$211,118 and \$142,938, respectfully.

**NOTE 12 – COMMITMENTS**

On November 9, 2011 the Port entered into a Cooperative Endeavor Agreement with the State of Louisiana Division of Administration – Facility Planning and Control (FPC) which provides the Port with funds of \$5,577,932 to purchase land and construct roadway and railway improvements through FPC Project No. 36-P21-02B-02.

On January 16, 2013, the Port entered into a Cooperative Endeavor Agreement with the State of Louisiana Division of Administration – Facility Planning and Control (FPC) which provides the Port with funds totaling \$6,625,000 for capital improvements for the Warehouse, Planning and Construction Project through FPC Project No. 36-P21-12-01.

**NOTE 13 – SETTLEMENT PAYMENTS**

In a prior year, the Port was involved in legal proceedings against Godchaux-Henderson for reimbursement of remediation costs. The case had been ongoing for several years. During the year ended April 30, 2012, a settlement was reached, and the Port recovered \$185,000 in damages.

In a prior year, the Port was involved in legal proceedings against Reliance Insurance Company for reimbursement of legal defense fees. The case had been ongoing for several years. During the year ended April 30, 2012, a settlement was reached, and the Port recovered \$185,000 in damages.

**PORT OF SOUTH LOUISIANA**  
*NOTES TO FINANCIAL STATEMENTS - Continued*  
*April 30, 2013 and 2012*

**NOTE 14 - SUBSEQUENT EVENTS**

On September 4, 2013, the Port purchased 20 acres of property together with all buildings and improvements, all rights, ways, privileges, servitudes, machinery, equipment and facilities located in the Parish of St. John the Baptist, State of Louisiana in the amount of \$4,000,000.

The Port has evaluated subsequent events through the date the financial statements were available to be issued, which corresponds with the date of the independent auditors' report. Other than noted above, no material subsequent events have occurred since April 30, 2013, that requires recognition or disclosure in the financial statements.

**PORT OF SOUTH LOUISIANA**  
**SCHEDULE OF FUNDING PROGRESS FOR OPEB PLAN**  
*For the Years Ended April 30, 2013, 2012, and 2011*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Project Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2012	\$ -	\$ 5,232,000	\$ 5,232,000	0%	\$ 2,760,000	190%
July 1, 2011	\$ -	\$ 5,115,900	\$ 5,115,900	0%	\$ 2,607,300	196%
July 1, 2010	\$ -	\$ 6,366,600	\$ 6,366,600	0%	\$ 2,563,600	248%

***OTHER SUPPLEMENTAL INFORMATION***



# *Kushner LaGraize, L.L.C.*

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Port of South Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Port of South Louisiana (the Port), as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated October 9, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
October 9, 2013

# Kushner LaGraize, L.L.C.

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners  
Port of South Louisiana

### Report on Compliance for Each Major Federal Program

We have audited the Port of South Louisiana's (the Port) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of The Port's major federal programs for the year ended April 30, 2013. The Port's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Port's compliance.



## **Opinion on Each Major Federal Program**

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2013.

## **Report on Internal Control over Compliance**

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
October 9, 2013

**PORT OF SOUTH LOUISIANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended April 30, 2013*

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
United States Department of Homeland Security		
Indirect Programs:		
FY 2006 Port Security Grant Program	97.056	\$ 47,093
FY 2007 Port Security Grant Program	97.056	191,326
FY 2008 Port Security Grant Program	97.056	<u>233,345</u>
		471,764
United States Department of Transportation, Pipeline, and Hazardous Materials Safety Administration		
Direct Programs		
Technical Assistance Grants (TAG) to Communities Program	20.710	<u>35,782</u>
Total Expenditures of Federal Awards		<u>\$ 507,546</u>

**PORT OF SOUTH LOUISIANA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended April 30, 2013*

**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of the Port of South Louisiana and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**PORT OF SOUTH LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended April 30, 2013*

I. SUMMARY OF AUDITORS' RESULTS

- a. The type of report issued on the basic financial statements: unmodified opinion.
- b. Significant deficiencies in internal control were disclosed by the audit of the financial statements: none reported; Material weaknesses: none.
- c. Noncompliance which is material to the financial statements: none.
- d. Significant deficiencies in internal control over major program: none reported; Material weaknesses: none.
- e. The type of report issued on compliance for major program: unmodified opinion.
- f. Any audit findings which are required to be reported under Section 510 (a) of OMB Circular A-133: none.
- g. Major Program:  
  
U.S. Department of Homeland Security  
Port Security Grant Program:  
Office of State and Local Government  
Coordination and Preparedness
- h. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- i. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no.

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS: none.

3. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS: none.



**PORT OF SOUTH LOUISIANA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
*For the Year Ended April 30, 2013*

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

SECTION II - FINDINGS RELATED TO QUESTIONED COSTS RELATED TO MAJOR  
FEDERAL AWARD PROGRAMS

Procedures to Identify Disbarred and Suspended Vendors - Resolved

SECTION III - MANAGEMENT LETTER

None